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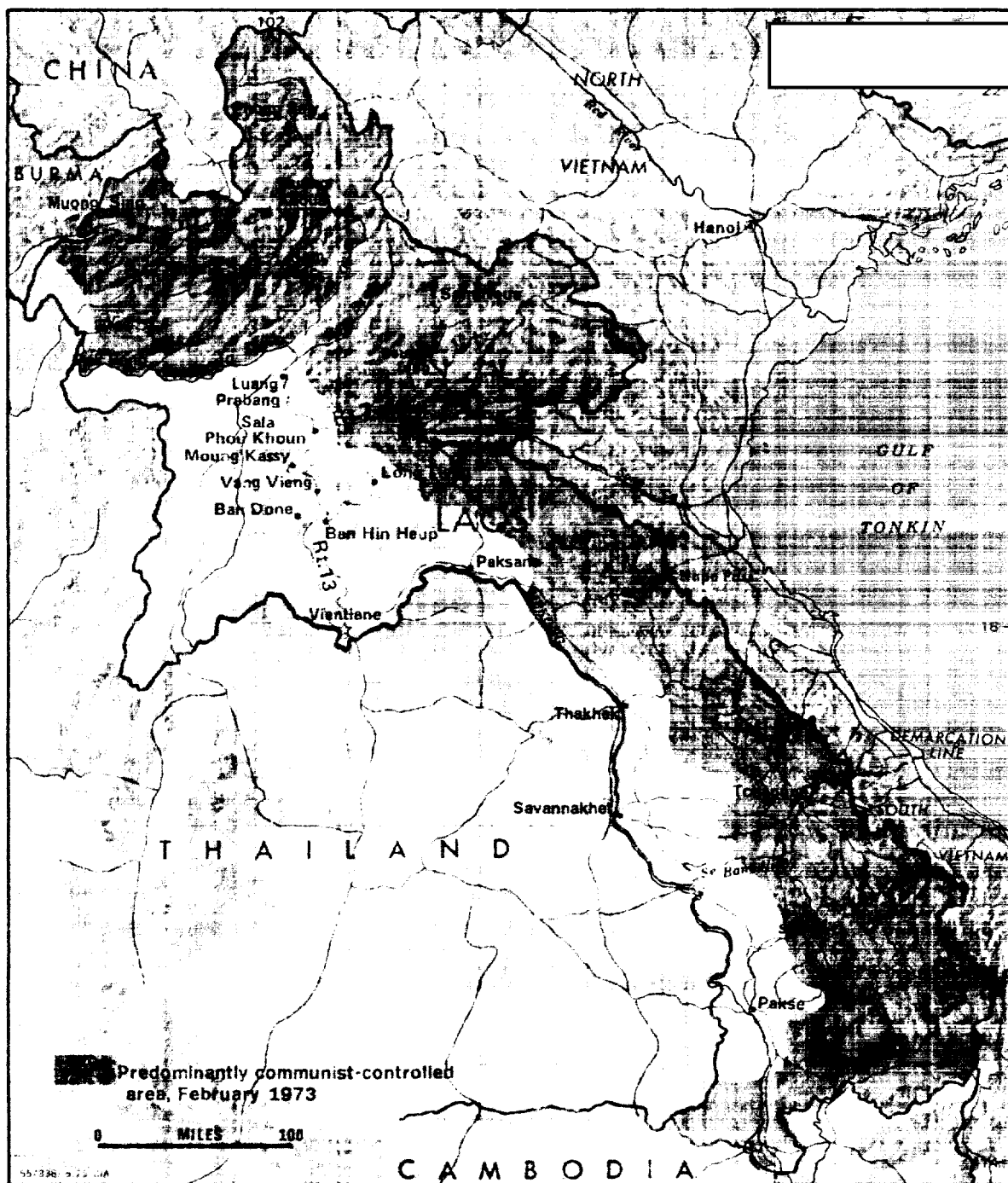
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LAOS

The US chargé in Vientiane yesterday reviewed with Prime Minister Souvanna Phouma the political, military, and economic crises facing the coalition government.

Souvanna expressed concern only with the country's economic and financial difficulties and made a pitch for increased US monetary assistance. He displayed unwavering optimism regarding the political and military situations, however, espousing Pathet Lao views in their entirety and placing particular blame for current "problems" in those spheres on rightist Defense Minister Sisouk na Champassak and General Vang Pao.

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On the basis of this conversation, and against the background of the near-total collapse of non-communist will and morale, the chargé has concluded that Souvanna no longer considers the non-communist side to be a factor in the present coalition. The chargé is convinced that Souvanna now believes that the only way to achieve his long-standing goal of national unification is to reach a complete political accommodation with the Pathet Lao. In the chargé's view, a Pathet Lao takeover of the government could occur in a matter of days and without the use of more than a token amount of force.

Souvanna may well remain in office and the facade of coalition may continue, but any replacements among cabinet officers and military region commanders will almost certainly be subservient to the Pathet Lao.

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A hostile crowd of approximately 1,500 Laotians demonstrated and hurled rocks in front of the US embassy in Vientiane last night. Speakers sounded anti-US themes, denouncing CIA and AID. Placards called for the removal of a number of rightist cabinet ministers. Some demonstrators attempted to force the gate to the embassy but were repelled by police. No US mission personnel were injured. After a short while the crowd moved to the national stadium for a rally.

* * * *

Although the Pathet Lao leadership in Vientiane has signed a joint communiqué with Prime Minister Souvanna Phouma calling for an end to the three-week-old fighting in northern Laos, communist headquarters at Sam Neua appears to be in no hurry to issue cease-fire orders to its troops.

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there is mounting evidence that the removal of Vang Pao, the demobilization of his Meo tribal forces, and the complete neutralization of both military regions in northern Laos may be the Pathet Lao's primary objectives in the current round of fighting.

The Pathet Lao have long contended--and correctly so--that the 1973 peace agreement and protocol require the disbanding of all non-communist irregular or "special" forces. Vang Pao's forces clearly fall into this

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category, but they have since been integrated into the regular Royal Lao Army--a fact the communists have never been willing to accept.

Vang Pao has long been a thorn in the side of communist forces in northern Laos. Despite repeated efforts, they were never able to dislodge his forces permanently from the strategic Long Tieng area during the long years of the Lao war. Given the strong sense of malaise currently gripping non-communist ranks, the communists may calculate that the time is ripe for another try.

There is growing fear in Long Tieng over the possibility of a Pathet Lao attack. According to the AID official stationed there, more than half the Meo population of Long Tieng has fled to outlying villages in a state of panic.

Meanwhile, Vang Pao and his tribesmen are getting no sympathy or support from Souvanna. Souvanna has ordered Vang Pao to offer no resistance to the Pathet Lao, and his instructions calling on Defense Minister Sisouk na Champassak to fire the Meo leader still stand.

In yesterday's conversation with the US chargé, Souvanna reiterated his belief that Vang Pao and his forces--not the Pathet Lao--were responsible for the fighting in northern Laos. The Prime Minister revealed a deep bias against the Meo, describing them as "wild people" whose actions he did not understand.

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GREECE-TURKEY

The foreign ministers of Greece and Turkey are to meet soon to discuss their rival claims to the Aegean and other points of friction. Their meeting will probably set the stage for talks later this month between Greek Prime Minister Karamanlis and the Turkish Prime Minister at the NATO summit in Brussels, although the Greeks for the time being are saying that Karamanlis has not decided whether he will attend.

Despite mutual suspicion of the other's intentions, both sides appear ready to negotiate the issues which divide them. Although these matters are too complex to be easily or rapidly resolved, the talks should improve the overall tone of Greek-Turkish relations, in itself no minor accomplishment.

The two foreign ministers will reportedly discuss the text document that will be submitted to the International Court of Justice on their conflicting claims to mineral rights on the Aegean continental shelf. Athens and Ankara agreed last February to take their case to The Hague, but the Turks had asked for a preliminary meeting between the foreign ministers.

Although Foreign Minister Bitsios is also prepared to discuss the Cyprus issue, he told the US embassy that he was not officially empowered to negotiate for the Greek side and had no intention of substituting himself for Greek Cypriot negotiator Clerides. Bitsios also expressed concern that his meeting with Turkish Foreign Minister Caglayangil could be adversely affected by the Turkish Cypriot referendum on the new Turkish Cypriot constitution, which will be held on May 18.

For their part, the Turks probably are not prepared for any detailed discussion of Cyprus. They will probably hope to discuss other outstanding issues such as air rights in the Aegean, territorial waters, treatment of Turkish minorities living in Greece, and Greek militarization of the Dodecanese and other islands.

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Foreign Minister Bitsios has told US officials, however, that he does not want to have the conversation burdened with too many issues other than the continental shelf. He was particularly sensitive about the Aegean islands and repeated the position Athens took last spring that matters relating to Greek sovereignty were "non-negotiable."

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PORTUGAL

Despite military efforts to ease tensions between the Portuguese Communists and Socialists, the cooperation agreement announced on Tuesday is already beginning to come apart.

Military leaders summoned the four parties in the governing coalition to discuss disagreements, but apparently had little success in persuading the parties to submerge their differences. The Communists yesterday charged, without specifically naming the Socialists, that attempts were being made to use the election result to shift the balance of power by creating divisions among military leaders and within the labor movement.

The Communist statement was in response to Socialist Party leader Soares' press conference Wednesday in which he warned that if the two parties are to work together, the Communists must loosen their control of organized labor, the press, and local governments.

Soares specifically called for union and local elections and urged the government to begin an investigation of bias in the media. The Socialists hope to use the ballot to oust Communist Party members and sympathizers who took over leadership positions in both the unions and local councils after the April coup.

The Socialists have been particularly suspicious that the Communists will use their influence with radical military officers to change the provisions in the labor law that call for union elections. Although the text of the law has not yet been published, moderate officers have indicated to the US embassy that the Revolutionary Council retained the election provision. The fact that the text of the law has not yet been released could indicate, however, that the issue has not been finally resolved.

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Meanwhile, the recent wave of strikes and growing social tensions is demonstrating that neither the Communists nor the Socialists have been able to impose their will on the labor rank and file. Both parties have come out against the strikes, but press reports estimate that 150,000 hotel, chemical, and municipal workers went on strike Wednesday, demanding higher wages and a voice in negotiating collective labor contracts. One walkout closed all privately owned hotels and restaurants for the third time this week.

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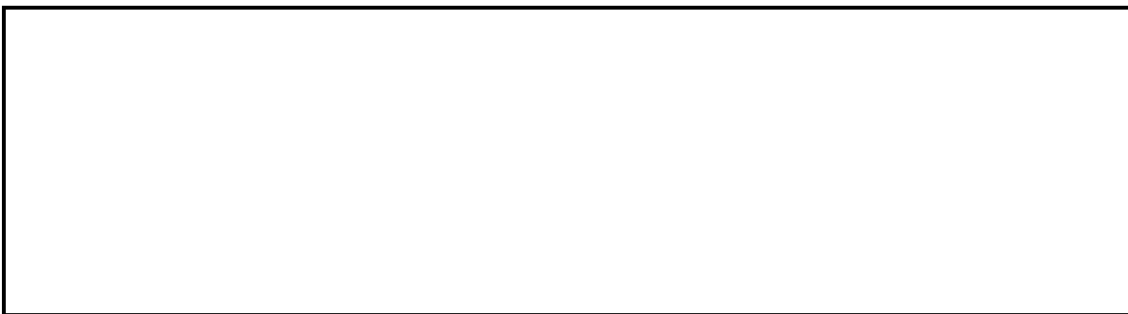
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CHINA-INDIA

Peking again is demonstrating concern over Indian actions in the Sino-Indian border area.

In a government statement issued on April 29, the Chinese "severely condemned" Indian activity regarding Sikkim last month.

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There is no indication that either the Indians or the Chinese intend to initiate hostilities. Peking, however, may anticipate a stronger Indian military posture near the border. [REDACTED] Indian leaders are irked by China's criticism and on May 1 they issued a sharp rejoinder to the Chinese statement.

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[REDACTED] The Chinese are further irritated with New Delhi over what they regard as India's failure to respond appropriately to earlier Chinese signals of interest in improving relations.

China for some time has been taking other steps to improve its military and economic position in Tibet. The limited overland lines of communications to Tibet and the Sino-Indian frontier would present logistics problems to any Chinese military response to Indian moves.

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PHILIPPINES-CHINA

President Marcos has encountered no major stumbling blocks in carrying out his plans for establishing diplomatic relations with China. He still hopes to make an official visit to Peking this summer, perhaps as early as next month, to make the finishing touches personally.

Marcos has said that he wants to visit China before President Ford does, and the Philippine President's wife, Imelda, recently told New China News Agency officials in Hong Kong that her husband's visit is planned for June. Her brother will go to Peking this month to make arrangements.

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[REDACTED]

[REDACTED] The only issue which might be in question is the Philippine claim to islands in the Spratly and the Paracel groups in the South China Sea, which China also claims.

Marcos has already taken steps to deal with a potential problem--Peking's future relations with the large alien Chinese community in the Philippines. In April he issued a presidential decree that liberalizes naturalization requirements for Chinese residents in the Philippines. Marcos has not yet indicated any significant concern about the possible impact of a Peking mission in Manila on the country's small but well-organized communist insurgents.

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LEBANON

Prime Minister Rashid Sulh may resign today. Half of his 18-man cabinet has either resigned or threatened to resign over his handling of disturbances in Beirut and Sidon during the past few months.

At a cabinet meeting on May 7--the first since the fedayeen-Christian fighting of mid-April--representatives of the country's two largest Christian political parties submitted their resignations. Alienated by the government's refusal to commit troops to quell protracted violence by radical fedayeen, they seem determined, even after a cooling-off period, to force the government's collapse.

Representatives of the largest socialist party, which is sympathetic to the fedayeen, threatened to resign last week. They are protesting the government's failure to control--and its alleged cooperation with--the militia of the Christian political parties.

Sulh cannot govern--except in a caretaker capacity--with these three powerful parties in opposition. As the leader of a small Sunni Muslim party, his personal political base is weak.

President Franjiyah is meeting with Sulh today. Although the President presumably will hear a report on the Prime Minister's last-minute efforts to hold his cabinet together, the session could result in an announcement that Sulh has stepped down.

The President apparently has been willing to see Sulh replaced for some time, but has stalled out of uncertainty that he could find an alternative acceptable to Lebanon's many political factions with whom he could work. Franjiyah is by disposition very reluctant to share power with anyone.

The severity of the recent clash in Beirut, however, may have convinced Franjiyah that he should select a prime minister who would be more assertive in dealing with the country's continuing security problems.

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WEST GERMANY - MBFR

As prospects improve for some progress later this year in the Vienna troop reduction negotiations, West German officials are increasingly concerned that any future agreement may be disadvantageous to the Federal Republic. The Germans believe that compelling domestic considerations preclude any major change in Bonn's basically conservative policy in the negotiations.

Three factors lie behind the revived West German concern:

--The prospect that the momentum of the negotiations will pick up if the European security conference is concluded this summer or fall.

--Washington's desire to stimulate movement in Vienna by introducing a proposal to reduce US tactical nuclear weapons in Western Europe, in return for substantial reductions in Soviet armored forces in Eastern Europe.

--Recent comments by US Senators suggesting that Congress might pass resolutions to reduce the number of US troops in Europe if there is no progress in Vienna in the next year or so.

For the past year, most officials in Bonn have viewed the talks with considerable skepticism, doubting that reductions in conventional arms would work to West Germany's advantage in the long run. Bonn's primary interest in continuing the MBFR negotiations, despite the lack of progress, stems from the fear that other NATO allies might succumb to domestic pressures and make unilateral force reductions, should the multilateral talks collapse.

Bonn agrees in principle to introducing the nuclear package in the negotiations but has bargained hard with London and Washington on the details. The West Germans hope that the nuclear package will help secure Soviet agreement to reduce NATO and Pact ground forces to a common ceiling.

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Bonn and the other West European governments may still have to face Soviet demands for cuts in indigenous forces in the first stage of troop reductions. The West Germans endorse NATO's goal of limiting first-stage reductions to Soviet and American ground forces. In Bonn's view, the Soviet desire to establish sub-ceilings on national forces is a clear attempt to interfere in the West European defense structure.

West Germany, unlike its fellow Western participants in the negotiations, is under no financial or political pressure to reduce its military forces. The opposition Christian Democrats would be likely to attack any softening of the German position, claiming that the Social Democrats are making unwarranted concessions to the Soviets.

Should the Soviets react negatively to the nuclear package or demand the inclusion of West European nuclear elements, Bonn would probably call for a general review of the Alliance's negotiating position rather than agree to raise the nuclear ante.

In that event, the West German negotiators might advocate small reductions in ground forces by NATO and the Pact. Chancellor Schmidt reportedly believes that the present Allied position on asymmetrical reductions to achieve a common ceiling is not realistic in the final analysis, mainly because the Soviets cannot be expected to go along.

The West Germans might hope that this fallback position would keep the negotiations going and help forestall additional pressures in the West for unilateral reductions.

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USSR

Brezhnev's speech at the V-E Day celebration was, as appropriate to the occasion, heavy on oratory and short on substance. Its tone was strong and confident. The US embassy in Moscow reports that Brezhnev was animated, but that he slurred and mumbled his words.

Brezhnev expressed the Soviet Union's hope for better relations with the US, but he avoided subjects such as the coming summit meeting in Washington. The Soviet leader called for "concrete agreements" to reduce arms but did not mention the recently recessed SALT talks.

Picking up on a theme recently enunciated by Defense Minister Grechko, Brezhnev cited Allied cooperation during World War II as relevant to the more complicated task of preventing another "worldwide disaster." Brezhnev did not, however, repeat Grechko's explicit reference to "political and military cooperation." This phraseology was included in a separate message from Brezhnev to President Ford. The message also asserted that detente is "gaining strength."

The speech's rhetoric was colored by the communist victory in Vietnam. Brezhnev said, for example, that it was "high time that those whom this concerns" recognize that suppression of liberation movements is doomed to fail. As has become usual in recent Soviet commentary on Vietnam, Brezhnev did not specifically mention the US, but he put the "foreign interventionists" ahead of the henchmen" as those who had been defeated.

The Soviet party chief went on to say, however, that the elimination of the Vietnam "hotbed" created conditions for a better international atmosphere and better relations between the Soviet Union and the US. It has been clear for some time that Moscow has not wanted the Vietnam war to complicate its relations with the US unduly.

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One notable theme to emerge in Brezhnev's speech was his suggestion that the European security conference could serve as an example for other parts of the world. This may be Moscow's way of kicking off another effort to stimulate interest in an Asian collective security scheme.

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FOR THE RECORD

Israel: Recent press reports concerning the massing of Israeli troops on the Jordanian and Syrian borders have not been substantiated, [REDACTED]

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[REDACTED] Although there is some evidence of Israeli troop movements and limited exercise activity, the reports are most likely part of an Arab propaganda campaign to emphasize the serious situation in the Middle East and Israel's preparations for war. This would be in line with Jordanian King Husayn's recent comments that present efforts toward peace may be the last chance to prevent another major war.

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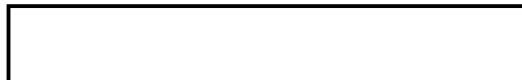
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